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SUBJECT: CAMEROON: MONEY, MONEY EVERYWHERE, BUT HOW'S IT BEING
SPENT?

11. (SBU) Summary. Despite pressing development needs and years of programs to improve government spending and budget execution, the Government of Cameroon continues to fall short of targets for badly-needed public investment. Over the first six months of 2008, the GRC's total receipts (\$2.2 billion) and expenditures (\$2 billion) were higher than the same periods in 2007, but fell short of FY08 targets. The GRC reaped the benefits of high world oil prices and improved management in the Department of Customs, but continued to splurge on questionable costs and underspend on investment. End summary.

12. (U) On October 1, Cameroon's Ministry of Finance (MINFI) publicly released data on the GRC's budget performance through the first half of the 2008 fiscal year, which runs January 1 to December 31. The FY08 budget is driven by the 2008 Finance Law, passed in December 2007, which called for a balanced budget of 2.3 trillion CFA (\$4.6 billion), a slight (1.1%) increase over FY07. A September 23 Presidential Decree (issued without being presented to the National Assembly) retroactively legitimated a number of mid-year revisions (especially government measures taken in response to the February riots).

Money, Money Everywhere...

13. (U) The GRC took in 1.1 trillion CFA (\$2.2 billion) in the first half of 2008, a 25 percent increase over the same period in the previous year. Non-oil receipts rose 8 percent (to \$1.4 billion), but the bulk of the increase came from oil receipts, which rose more than 75 percent, from \$464 million to \$812 million, on the back of higher world prices (and despite a slight reduction in Cameroon's production).

14. (U) Customs receipts rose 13 percent to 208 billion CFA (\$416 million) in the first semester, an increase all the more notable in light of the customs

exonerations granted in April as part of the GRC's response to public frustration with rising commodity prices (which erupted into social unrest in February). The GRC credits the "good administration of the customs service" and an increase in economic activity for the strong showing.

15. (U) Cameroon received 61 billion CFA (\$122 million) in foreign aid in the first six months of 2008, a 45 percent increase over first semester 2007. Of this amount, \$62 million was grants and \$60 million was project loans.

...But Not a Dollar to Spend

16. (U) During the same period, the GRC spent 982 billion CFA (\$2 billion), which is 20 percent higher than the previous year but still only 90 percent of projected spending. The public service payroll rose 32 percent to \$526 million, largely due to the across-the-board salary raise (which took effect in April) granted as part of the GRC's stimulus program in the wake of the February unrest, and to the recruitment of new officials in the police and education ministries. The burden of the public wage bill as a percentage of

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the total budget remained relatively unchanged, however, at 31 percent. Taken as a whole, the GRC continued to underspend its budget on goods and services, with an outlay of only \$446 million, 94 percent of what had been budgeted. Embassy contacts with international financial institutions indicated, however, that the GRC is overspending its domestic resources (which come with little oversight) and underspending resources from international sources (like the French C2D assistance program).

17. (U) The \$348 million windfall in petroleum receipts was largely expended to subsidize domestic fuel consumption, costing the GRC more about \$300 million in the first half of 2008.

18. (U) The IMF has repeatedly chastised the GRC for its perennial poor execution of the investment budget, a problem that persisted in 2008. The GRC spent \$440 million of its investment budget, which is 64% higher than the 2007 figure, but still short (at 88 percent) of the program target. The special accounts established as part of the Highly Indebted Poor Country (HIPC) Initiative fared worse; spending from the HIPC accounts, which is supposed to address priority sectors, stood at \$47 million, far short of the \$70 million targeted.

19. (SBU) Also noteworthy are some expenses not mentioned in the data, but obtained by Post through other sources. The GRC has failed to keep up with payments (intended to stabilize domestic oil prices) to SONARA, the national

oil refinery, accumulating a \$70 million debt that will need to be repaid in the second semester of FY08. (This debt climbs to \$140 million when the military's unpaid fuel bill is included.) The GRC purchased the "Dja," a Boeing 767-300 that had been leased to the now defunct CAMAIR national airways by Ansett Worldwide, for a reported price of \$70 million (to be tallied on the second semester budget table).

Comment: Cameroon's Financial Paradox

110. (SBU) There is an almost universal assumption here that Cameroon has failed to develop because it is poor. The data tell a different story Q that the Cameroon government has ample money but is not spending it effectively. A 90% budget execution rate might be acceptable in a context where the need for development was not so urgent. Additionally, Cameroon has failed to draw down funds made available through the Global Fund, the World Bank, the HIPC process, various development agencies and, for more than 7 years running, even its own budget. The money it spends rapidly (e.g., for the Dja) is sadly not oriented towards the nation's pressing priorities (e.g., for medical supplies). Cameroon's budget problems epitomize a broader reality: good governance, not money, is the missing ingredient for Cameroon's development.

Fox.